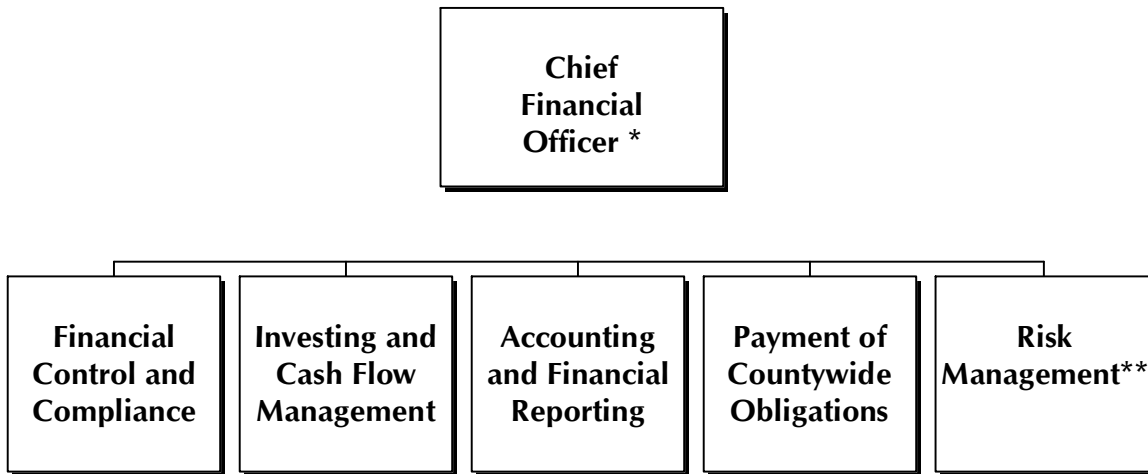


Department of Finance



* The Chief Financial Officer has responsibility for strategic direction of this agency; however, for budget purposes, that position and associated funding are reflected within the Department of Management and Budget.

** Risk Management budget and program information is reported separately in Fund 501, the County Insurance Fund.

Mission

To protect and maintain the fiscal integrity and financial solvency of the County government.

Focus

The Department of Finance serves the citizens of Fairfax County, its vendors and partners, and agencies throughout the County. The Department's five business areas are Financial Control and Compliance, Investing and Cash Flow Management, Accounting and Financial Reporting, Payment of Countywide Obligations and Risk Management, all of which work together to meet the Department's core business functions. These include collecting non-tax revenue; ensuring accurate processing of financial transactions; investing County cash resources prudently and effectively; identifying and mitigating risk of loss of County financial resources; paying countywide obligations; and ensuring timely reporting of financial data to the governing body, rating agencies, and the public.

In order to provide optimal service to its customers, the Department recognizes that it must remain cognizant of and responsive to the following:

- ◆ Partnering with other County departments to leverage resources that are essential toward achieving related objectives.
- ◆ Leveraging internal resources to accomplish the Department's mission. This may require analyzing and re-engineering business processes; improving support systems; and using cross-functional approaches and shared resources.
- ◆ Responding to the changing countywide requirements and priorities in addition to complying with federal and state legislation, as well as regulatory mandates to accomplish its mission.
- ◆ Maintaining high quality customer service while keeping pace with technological change and increasing demand for improvements to the timeliness of information retrieval.

THINKING STRATEGICALLY


Strategic issues for the Department include:

- Enabling cost reductions in the payment of countywide obligations through implementation of invoice scanning and enhanced electronic document approval, filing and retrieval systems;
- Sharing technical expertise and assuring compliance with County policies and sound financial practices; and
- Reducing costs and increasing effectiveness of management reports through implementation of automated reporting capabilities.

Department of Finance

In FY 2006, the Department of Finance will pursue its aggressive strategic plan that focuses on efficiency of operations through new technology and total customer satisfaction. The Department will vigorously pursue automated tools and techniques in all business areas to reduce costs and increase returns.

New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

 Exercising Corporate Stewardship	Recent Success	FY 2006 Initiative	Cost Center
Reduce costs associated with payment of County obligations through electronic payment systems.	✓	✓	Investing and Cash Flow Management
Convert costly manual records retention systems to digital imaging systems.	✓	✓	Payment of Countywide Obligations
Reduce costs by expanding the use of electronic signatures to enable efficient electronic document routing.		✓	Payment of Countywide Obligations
Shared technical expertise and assured compliance with County policies and sound financial practices through customer-focused Outreach Programs.	✓		Financial Control and Compliance
Facilitated the public's ability to identify unclaimed funds by making data readily available and simple to find on the internet.	✓		Financial Control and Compliance
Reduce costs and improve effectiveness of management reports through implementation of new, automated reporting capabilities.	✓	✓	Financial Control and Compliance
Improve access to County programs and services by making available convenient methods of payment, such as by credit card.	✓	✓	Financial Control and Compliance
Strengthened oversight and control of County assets by automating reconciliation and monitoring functions, using off-the-shelf software and internally developed applications.	✓		Financial Control and Compliance

Department of Finance

Budget and Staff Resources

Agency Summary				
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	69/ 69	69/ 69	69/ 69	69/ 69
Expenditures:				
Personnel Services	\$4,016,251	\$4,220,919	\$4,220,919	\$4,356,769
Operating Expenses	3,405,851	3,665,746	3,677,880	4,441,776
Capital Equipment	0	0	0	0
Subtotal	\$7,422,102	\$7,886,665	\$7,898,799	\$8,798,545
Less:				
Recovered Costs	(\$267,917)	(\$218,852)	(\$218,852)	(\$492,117)
Total Expenditures	\$7,154,185	\$7,667,813	\$7,679,947	\$8,306,428
Income:				
State Shared Finance Expenses	\$353,692	\$350,936	\$363,317	\$370,583
State Shared Retirement - Finance	10,948	10,855	11,239	11,464
Total Income	\$364,640	\$361,791	\$374,556	\$382,047
Net Cost to the County	\$6,789,545	\$7,306,022	\$7,305,391	\$7,924,381

Summary by Cost Center ¹				
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Agency Management	\$3,701,186	\$0	\$0	\$0
Investments and Cash Management	397,581	0	0	0
Accounting and Reporting	1,500,444	0	0	0
Procedures and Controls	1,554,974	0	0	0
Financial Control and Compliance	0	2,944,816	2,952,542	3,392,091
Investing and Cash Flow Management	0	573,776	573,776	590,592
Accounting and Financial Reporting	0	3,195,673	3,195,673	3,349,284
Payment of Countywide Obligations	0	953,548	957,956	974,461
Total Expenditures	\$7,154,185	\$7,667,813	\$7,679,947	\$8,306,428

¹ Agency reorganization occurred as part of the FY 2005 Adopted Budget Plan. Figures are shown for historical purposes.

FY 2006 Funding Adjustments

The following funding adjustments from the FY 2005 Revised Budget Plan are necessary to support the FY 2006 program:

- ◆ **Employee Compensation** **\$135,850**
An increase of \$135,850 in Personnel Services associated with salary adjustments necessary to support the County's compensation program.
- ◆ **Operating Requirements** **\$502,765**
A net increase of \$502,765 is the result of an increase of \$776,030 in Operating Expenses partially offset by an increase of \$273,265 in Recovered Costs for reimbursed agency overhead costs related to the annual countywide audit. The increase in operating expenses includes \$380,880 primarily due to County mainframe computer charges based on prior year usage of mainframe applications and agency specific applications operated from the County mainframe and additional funding of \$395,150 associated with the increase in contract rate adjustments for the annual countywide audit.

Department of Finance

◆ Carryover Adjustments

(\$12,134)

A decrease of \$12,134 in Operating Expenses is due to the carryover of one-time expenses as part of the FY 2004 Carryover Review.

Changes to FY 2005 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2005 Revised Budget Plan since passage of the FY 2005 Adopted Budget Plan. Included are all adjustments made as part of the FY 2004 Carryover Review and all other approved changes through December 31, 2004:

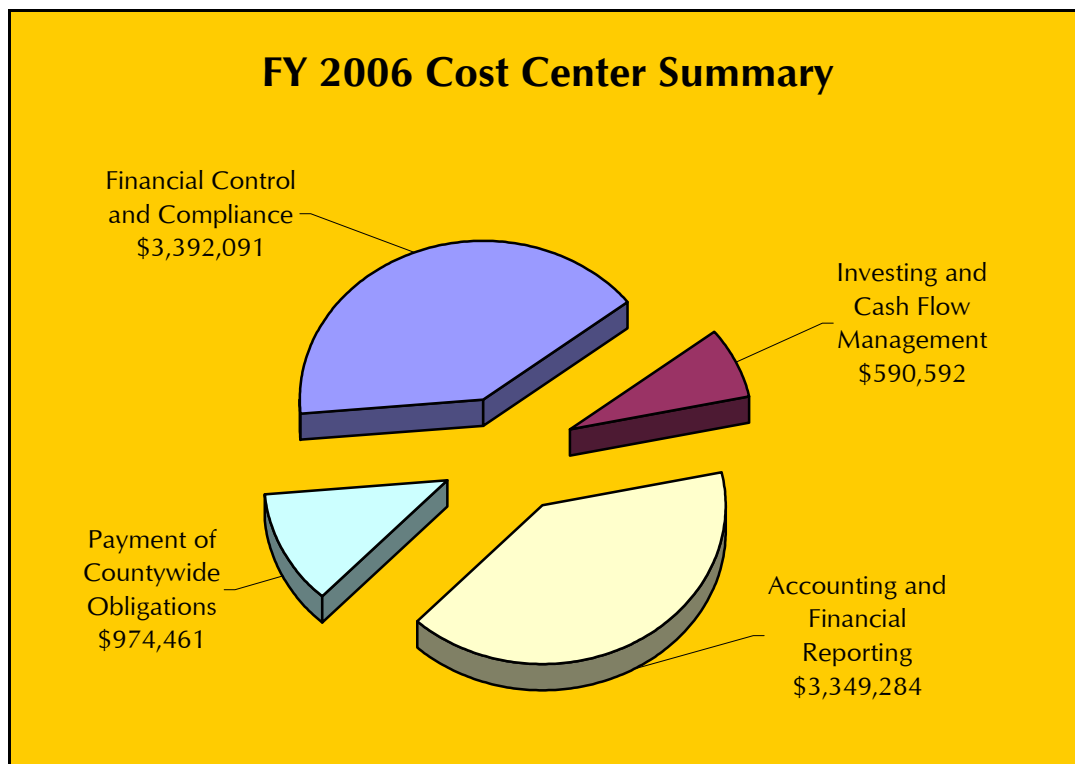
◆ Carryover Adjustments

\$12,134

As part of the FY 2004 Carryover Review, the Board of Supervisors approved encumbered funding of \$12,134 in Operating Expenses.

Cost Centers

The four cost centers of the Department of Finance are Financial Control and Compliance, Investing and Cash Flow Management, Accounting and Financial Reporting, and Payment of Countywide Obligations. These distinct program areas work to fulfill the mission and carry out the key initiatives of the Department of Finance.



Department of Finance

Financial Control and Compliance

Funding Summary				
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	0 / 0	32 / 32	32 / 32	32 / 32
Total Expenditures	\$0	\$2,944,816	\$2,952,542	\$3,392,091

Position Summary				
1 Director	3 Business Analysts III	1 Administrative Associate		
1 Deputy Director	1 Business Analyst II	1 Administrative Assistant V		
3 Chiefs, Finance Division	2 Business Analysts I	2 Administrative Assistants IV		
1 Management Analyst III	1 Network Analyst III	4 Administrative Assistants III		
4 Accountants III	1 Network Analyst I	2 Administrative Assistants II		
4 Accountants II				
TOTAL POSITIONS				
32 Positions / 32.0 Staff Years				

Key Performance Measures

Goal

To continually maintain and improve the financial management systems used across the County in accordance with sound principles of internal control, minimizing inefficiencies or redundancies, and assuring the integrity of data used by the public, the governing body, and County managers.

Objectives

- ◆ To improve compliance and financial support activities in County agencies by facilitating the access and the implementation of services and automated tools that resolve at least 80 percent of the issues identified as needing improvement.
- ◆ To deliver at least 98 percent of new technologies and systems solutions on schedule at above average customer satisfaction.
- ◆ To ensure that at least 92 percent of bank accounts are reconciled within 30 days.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Output:					
Agency compliance and/or program support assessments completed	NA	NA	17 / 19	19	19
New technology solutions or system reengineering responses	NA	NA	500 / 507	625	800
Bank transactions reconciled and resolved within established timeframe	NA	NA	38,969 / 40,689	42,316	44,010

Department of Finance

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Efficiency:					
Staff hours per agency compliance assessment and/or program support effort	NA	NA	80 / 53	55	55
Staff hours per customer request	NA	NA	2.9 / 2.9	2.3	1.8
Staff hours per 100 bank transactions	NA	NA	1.89 / 1.66	1.42	1.36
Service Quality:					
Average customer satisfaction rating of assessment and/or program support implementation effort	NA	NA	80% / 91%	85%	90%
Average customer satisfaction rating of quality and timeliness of solutions delivered	NA	NA	95% / 94%	96%	97%
Percent change of items requiring reconciliation	NA	NA	(1.5%) / (1.6%)	(1.5%)	(1.5%)
Outcome:					
Percent of agency compliance assessment issues resolved and/or support efforts completed (1)	NA	NA	88% / 95%	80%	80%
Percent of technology and system solutions delivered on or ahead of schedule	NA	NA	97% / 98%	98%	98%
Percent of bank accounts reconciled within 30 days	NA	NA	90% / 93%	92%	92%

(1) FY 2004 was the first year of an on-going program to enhance compliance and financial support in decentralized financial operations. The issues addressed in the initial year tended to be of lesser complexity, for which solutions were readily available, permitting a higher than expected success rate.

Performance Measurement Results

A multi-year program of decentralizing certain financial support functions, such as accounts payable operations, has produced cost savings and service enhancements. To assist County agencies in these functions, financial policies, procedures and forms have been introduced in electronic format, available to all users on desktop systems. The effort to attune this guidance with new tools and requirements continues. A key element of decentralization is systematic and effective review of compliance with County policy and sound internal controls. An expanded compliance team in FY 2004 and FY 2005 identified and brought improvement to key areas of financial oversight and process improvement. More timely receipt of grant reimbursements improved cash flow and increased interest revenue. Substantial savings in the cost of paper was achieved by converting high volume management reports to easily tailored electronic formats. The introduction of electronic signature technology has expedited the movement of vendor invoices, improved the security of the payment process, and facilitated timely payments to maximize the opportunity to capture prompt payment discounts. The success of this technique will be translated in FY 2006 to new opportunities to convert from manually signed, paper-based to electronically verified documentation.

Department of Finance

Investing and Cash Flow Management

Funding Summary				
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	0 / 0	8 / 8	8 / 8	8 / 8
Total Expenditures	\$0	\$573,776	\$573,776	\$590,592

Position Summary				
1 Deputy Director	1 Investment Manager	3 Investment Analysts		
1 Accountant II	1 Accountant I	1 Administrative Assistant II		
TOTAL POSITIONS				
8 Positions / 8.0 Staff Years				

Key Performance Measures

Goal

To manage all bank relationships and cash for County agencies in order to ensure the prudent and safe investment of financial assets, maximize interest income, and fund financial obligations.

Objectives

- ◆ To ensure that 98 percent of banking services fully meet customer expectations.
- ◆ To securely invest cash assets in order to meet daily cash flow requirements and to earn a rate of return that is at least 95 percent of industry-standard yield.
- ◆ To manage funds so that the target cash balance is met 100 percent of the time.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Output:					
Banking service transactions processed	NA	NA	270 / 160	168	176
Annual portfolio return achieved	NA	NA	1.4% / 1.0%	2.3%	3.6%
Total cash payment transactions conducted	NA	NA	1,800 / 1,823	1,710	1,625
Efficiency:					
Staff hours per 100 banking service transactions	NA	NA	183 / 183	180	180
Work years per 100 investment transactions	NA	NA	0.6 / 0.6	0.5	0.5
Staff hours per 1,000 cash flow transactions	NA	NA	37.0 / 36.0	35.0	35.0

Department of Finance

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Service Quality:					
Percent of customer satisfaction	NA	NA	95% / 95%	95%	96%
Percent of investment transactions in compliance with policy guidelines (i.e., without need of exception approval)	NA	NA	99.5% / 100.0%	99.8%	99.5%
Percent of days the un-invested cash balance does not fall outside target range	NA	NA	100% / 98%	97%	97%
Outcome:					
Percent of timely bank services fully meeting customer expectations	NA	NA	97% / 98%	98%	98%
Percent of industry-standard yield achieved	NA	NA	95% / 111%	95%	95%
Percent of days target cash balance was met	NA	NA	100% / 100%	100%	100%

Performance Measurement Results

The number of banking services transactions fluctuates year-to-year with little predictability. The Department responds to numerous requests for banking services, ranging from establishment of deposit accounts to creation of complex credit card acceptance agreements. Regardless of the number of actions, County agencies look for timely and thorough response to their needs. Starting in FY 2005, those two elements of customer satisfaction were the focus of process improvement and resource allocation. Quantifiable data is not available for the first year of the measurement program, but quarterly focus group reviews indicate a high degree of success. The County's approach to investment operations is embodied in its Investment Policy. During FY 2004, that policy received a Certificate of Excellence from the Association of Public Treasurers of the U.S. and Canada, one of only 35 state and local governments nationwide (and the only Virginia jurisdiction) to receive this distinction.

The investment climate in FY 2004 and early FY 2005 continued to reflect the general tension in the U.S. economy. Following the County's primary focus on safety and liquidity, investment operations successfully met all cash flow requirements while assuring that available funds were invested productively within carefully monitored policy guidelines. A minor restructuring of the investment portfolio in FY 2005 will produce revenue enhancement that is fully faithful to the tenets of sound financial stewardship.

Accounting and Financial Reporting

Funding Summary				
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	0/ 0	14/ 14	14/ 14	14/ 14
Total Expenditures	\$0	\$3,195,673	\$3,195,673	\$3,349,284

Department of Finance

Position Summary					
1	Chief Finance Division	4	Accountants III	1	Administrative Assistant IV
3	Financial Reporting Managers	4	Accountants II	1	Administrative Assistant III
TOTAL POSITIONS					
14 Positions / 14.0 Staff Years					

Key Performance Measures

Goal

To provide technical accounting oversight and guidance to County agencies to ensure that generally accepted accounting procedures, legal requirements, and County policies and procedures are consistently applied; to maintain the integrity of the County's accounting records; and to satisfy fully all reporting requirements.

Objectives

- ◆ To provide technical oversight of accounting records by reviewing and analyzing financial records of all County agencies so that the County earns an unqualified audit opinion.
- ◆ To provide technical oversight of the County's fixed asset accounting records by performing reconciliation of the financial reports of the County's finance and purchasing systems for all County agencies and to complete this activity for at least 90 percent of the County agencies within 30 days after each month-end.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Output:					
Fund and agency accounts reviewed and analyzed	NA	NA	138 / 138	138	138
Mandated reports issued	NA	NA	6 / 6	6	6
Fixed asset records reconciled	NA	NA	4,576 / 4,498	4,588	4,679
Efficiency:					
Staff hours per account reviewed and analyzed	NA	NA	74 / 62	65	65
Staff hours per report issued	NA	NA	1,941 / 1,532	1,480	1,465
Staff hours per fixed asset record reconciled	NA	NA	0.50 / 0.51	0.50	0.49
Service Quality:					
Percent of accounts requiring no year-end adjustment	NA	NA	95% / 95%	95%	95%
Certificate of Achievement awarded by Government Finance Officers' Association	NA	NA	Yes / Yes	Yes	Yes
Days to complete monthly asset reviews and reconciliations	NA	NA	30 / 30	30	30
Outcome:					
Unqualified audit opinions	NA	NA	Yes / Yes	Yes	Yes
Percent of complete, timely reports with no audit comment	NA	NA	100% / 100%	100%	100%
Percent of asset reconciliations completed within 30 days of month-end	NA	NA	90% / 100%	90%	90%

Department of Finance

Performance Measurement Results

The County met all statutory, regulatory, and external mandates for timely, comprehensive financial reporting. The FY 2003 Comprehensive Annual Financial Report (the most recent report) was awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the U.S. and Canada, a peer-review recognition as to the high quality of this product. This was the 27th consecutive year Fairfax County earned this distinction.

Payment of Countywide Obligations

Funding Summary				
Category	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	0/ 0	15/ 15	15/ 15	15/ 15
Total Expenditures	\$0	\$953,548	\$957,956	\$974,461

Position Summary				
1 Accountant III	1 Management Analyst III	1 Accountant II		
2 Administrative Associates	4 Administrative Assistants V	1 Administrative Assistant IV		
4 Administrative Assistants III	1 Administrative Assistant II			
TOTAL POSITIONS				
15 Positions / 15.0 Staff Years				

Key Performance Measures

Goal

To provide guidance and oversight in fiscal management practices in order to maintain the highest level of accountability and to provide accurate and timely financial performance information to County agencies and external customers.

Objectives

- ◆ To provide analysis, training and customer support to decentralized accounts payable operations to ensure payments initiated by County agencies comply with county policies; to obtain available discounts for prompt payments; and to ensure that at least 98.5 percent of obligations are paid accurately and timely.
- ◆ To increase processing efficiency by at least 5 percent by developing and implementing electronic commerce initiatives associated with accounts payable and payment production programs.
- ◆ To produce checks and electronic transfers in payment of County obligations on or before the authorized payment date at least 97 percent of the time.

Department of Finance

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2002 Actual	FY 2003 Actual	FY 2004 Estimate/Actual	FY 2005	FY 2006
Output:					
Adjustments or corrections to payment transactions	NA	NA	4,000 / 3,932	3,500	3,000
Checks and electronic payments initiated	NA	NA	327,366 / 324,274	320,000	320,000
Payments processed utilizing e-commerce initiatives	NA	NA	2,512 / 11,491	25,000	40,000
Efficiency:					
Staff hours of proactive data analysis per adjustment or correction	NA	NA	0.36 / 0.36	0.41	0.48
Cost per payment (check or transfer)	NA	NA	\$0.495 / \$0.489	\$0.468	\$0.454
Staff hours used to research, develop and implement e-commerce payments	NA	NA	2.15 / 0.45	0.20	0.13
Service Quality:					
Percent of customers fully satisfied with service provided	NA	NA	94.0% / 94.0%	96.0%	96.0%
Percent of payments issued by due date	NA	NA	99.8% / 99.8%	99.8%	99.8%
Percent of agencies fully satisfied with e-commerce initiatives	NA	NA	95% / 95%	96%	96%
Outcome:					
Percent change of countywide obligations paid without requiring adjustment or correction	NA	NA	98.0% / 98.3%	98.5%	98.5%
Percent change in processing efficiency resulting from use of e-commerce	NA	NA	0.1% / 4.3%	5.0%	5.0%
Percent of payees rating payment system fully satisfactory	NA	NA	96% / 96%	97%	97%

Performance Measurement Results

The accounts payable and check-writing operations are joined in a common business area to capture the benefits of enhanced teamwork and to facilitate future process reengineering. In FY 2005 the Department continued to expand its FY 2004 initiatives of converting invoice processing and check issuance to more efficient electronic image handling and electronic payment methods. More than twice as many electronic payments will be made in FY 2005 as compared to FY 2004. In addition to increasing customer acceptance of these modern payment techniques, opportunities are being identified to introduce electronic payments as a standard rather than an option.